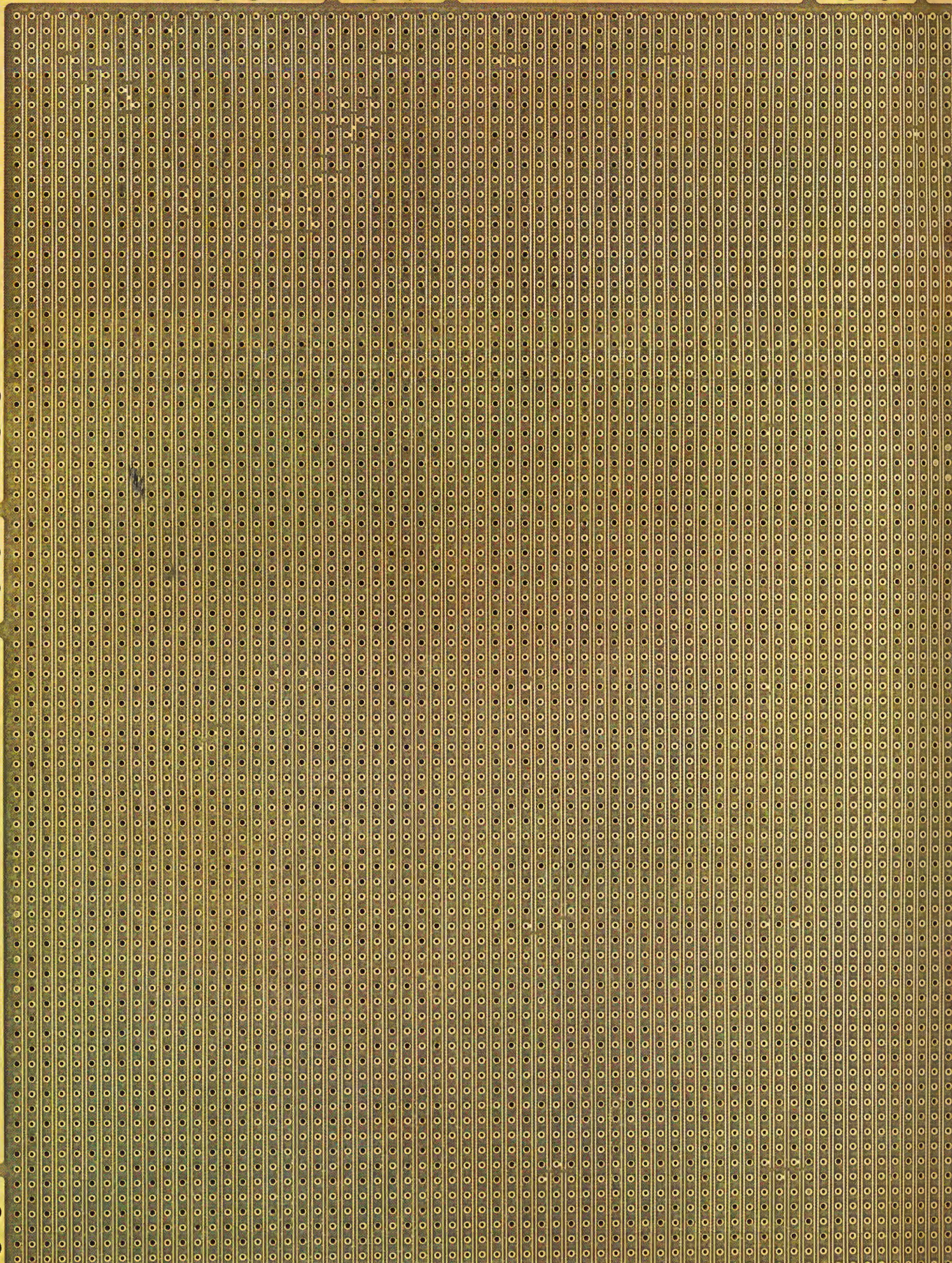


RADIO CORPORATION OF AMERICA ANNUAL REPORT 1965









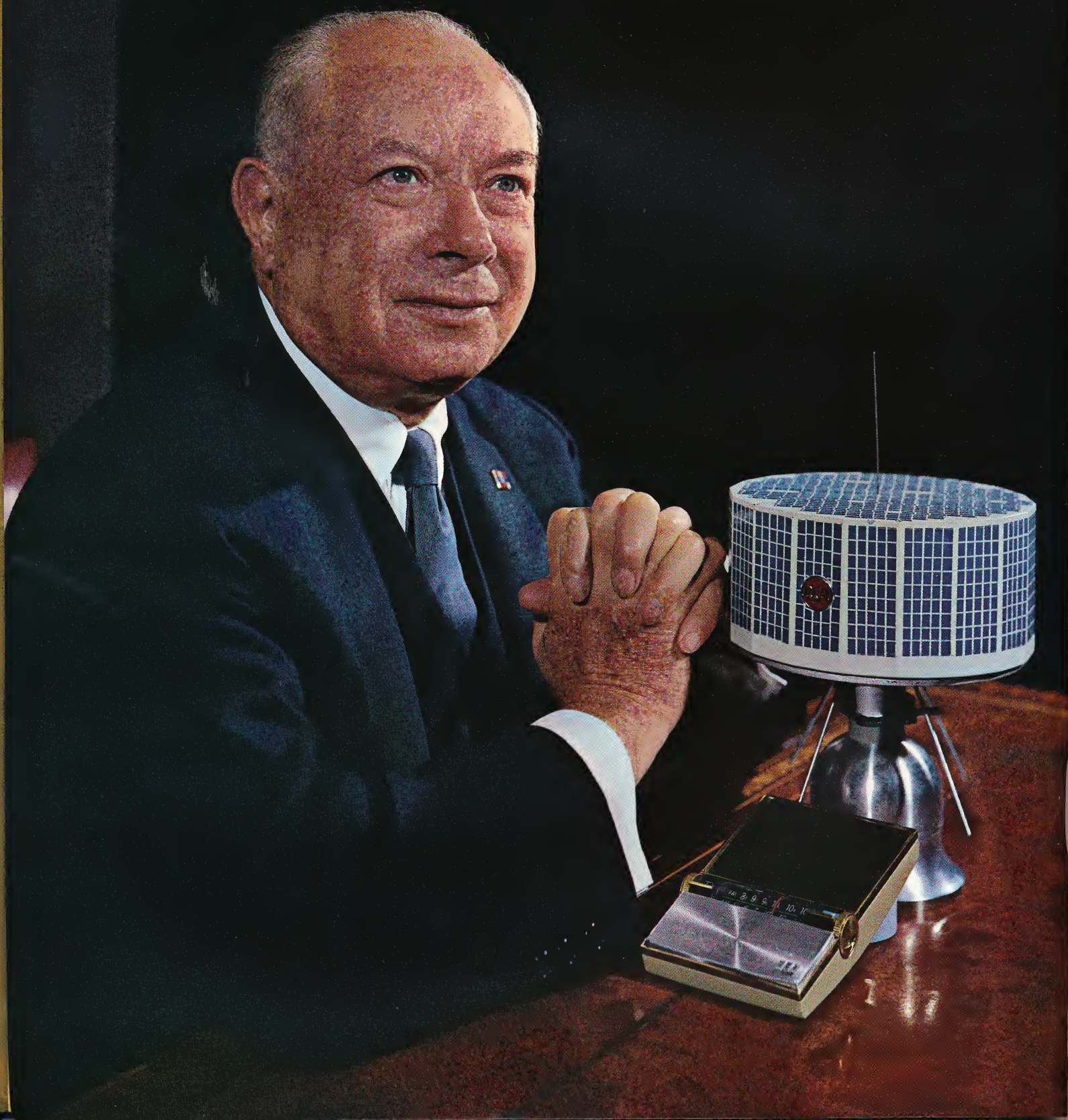
# RADIO CORPORATION OF AMERICA

## ANNUAL REPORT 1965

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*A feature of the new RCA Spectra 70 computer is this neat pattern of plug-in sockets to accommodate thousands of packaged integrated circuits. The unit, known as a backplane board, carries the equivalent of nearly 650 feet of the intricate logic wiring normally associated with computers.*





*This year, 1966, marks the 75th birthday of David Sarnoff and the 60th anniversary of his entry into the field of communications.*

*When he joined the Marconi Wireless Telegraph Company of America as an office boy in September, 1906, the broad concepts of broadcasting and electronics were unknown. The principal business of the company was marine wireless telegraph communications.*

*Upon the formation of RCA in 1919, David Sarnoff was named its Commercial Manager. He rose subsequently through other executive positions to become President of RCA in 1930, and in 1947 he was elected Chairman of the Board and Chief Executive Officer. When he joined RCA, it had 500 employees and its annual sales were approximately \$2 million. Today, it is one of the world's foremost industrial enterprises, employing 100,000 men and women and selling more than \$2 billion annually in products and services across the full spectrum of electronics.*

*This anniversary year also has brought a realignment in the management of RCA, involving changes that became effective on January 1, 1966.*

*At the request of General Sarnoff, the Directors chose Elmer W. Engstrom as Chief Executive Officer of RCA and Chairman of its Executive Committee. Dr. Engstrom had been President of the Corporation since December, 1961.*

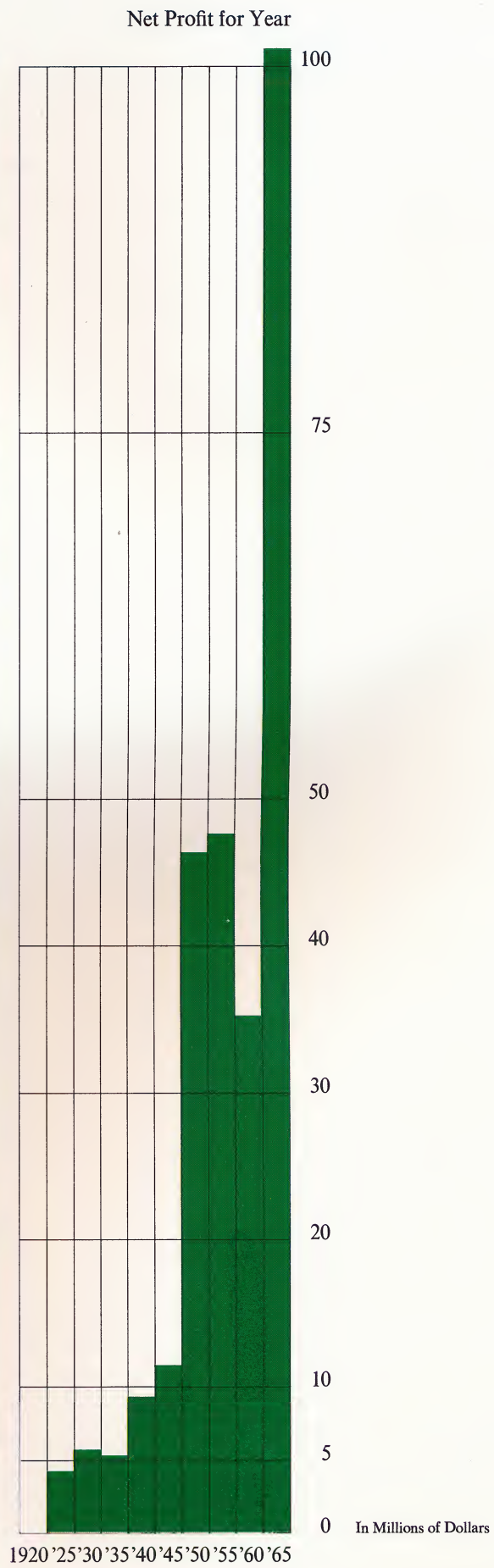
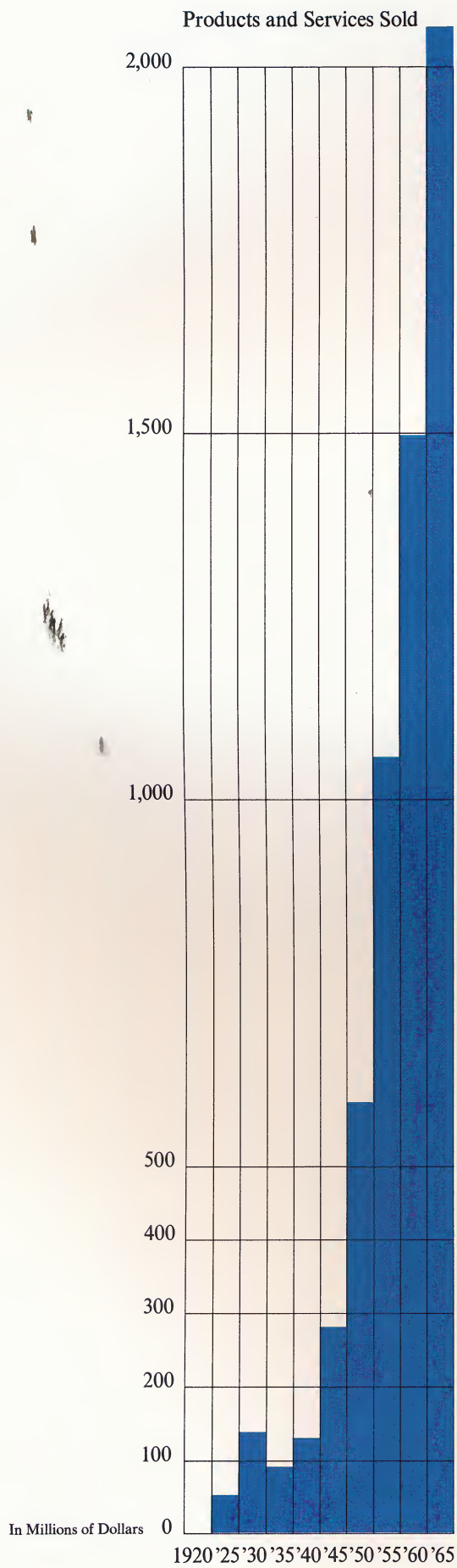
*At the request of the Directors, General Sarnoff continues to serve actively as Chairman of the Board.*

*The Directors selected Robert W. Sarnoff to become President of RCA, reporting to Dr. Engstrom and carrying the responsibilities of Chief Administrative Officer. He had been Chairman of the Board and Chief Executive Officer of the National Broadcasting Company.*

*Frank M. Folsom, who had been Chairman of the Executive Committee of RCA since 1957, continues to serve as a Director of the company.*

*David Sarnoff, Chairman of the Board of RCA, and two concepts that symbolize RCA's many contributions to American progress through electronics. The TIROS weather satellite, shown here in miniature, represents the utilization of space for human benefit. The pocket-size color TV set of the 1970s, as envisioned by RCA's designers, typifies the endless quest for new electronic products and services for the home, industry, and government.*







# FINANCIAL HIGHLIGHTS

## RADIO CORPORATION OF AMERICA

SALES AND EARNINGS	<u>1965</u>	<u>1964</u>
Sales of products and services	<b>\$2,057,117,000</b>	\$1,812,459,000
Net profit for year	<b>101,161,000</b>	82,495,000
Per cent to sales	<b>4.9%</b>	4.6%
Per common share*	<b>1.73</b>	1.37
Special items—net of taxes and expenses	—	11,370,000
Per common share*	—	.20
Total net profit and special items	<b>101,161,000</b>	93,865,000
Per common share*	<b>1.73</b>	1.57

### DIVIDENDS

Cash dividends declared per common share\*

Regular	<b>.65</b>	.55
Special	—	.09

Stock dividend declared on common stock — 10%

On December 3, 1965, the Board of Directors increased the regular quarterly cash dividend on common stock from 15 cents to 20 cents per share.

### ASSETS

Additions to plant and equipment	<b>101,383,000</b>	84,928,000
Total assets at year end	<b>1,269,370,000</b>	1,131,722,000

\*Computed on average number of common shares outstanding after giving retroactive effect to the 10 per cent stock dividend paid February 1, 1965.



TO THE SHAREHOLDERS:

Among the large and growing family of products and services created by the Radio Corporation of America, numerous individual performance records were set in 1965. Cumulatively, they provided your company with more profits, more sales, and more scientific and technological progress than ever before in the company's 46-year history.

Here are some of the accomplishments of our most successful year:

- Sales of \$2,057,117,000 for the first time surpassed the \$2-billion level, an increase of 13 per cent over sales in 1964. This means that RCA products and services were sold at an average rate of \$8 million a day for every working day in 1965.
- Net profit after taxes for the first time surpassed the \$100-million level—\$101,161,000, an increase of 23 per cent over profit in 1964. This marked the fourth consecutive year in which a new profit record was established. For 19 consecutive quarters, profits have improved over those in the comparable quarter of the preceding year.
- In the fourth quarter of 1965, the rate of regular quarterly cash dividends on common stock was increased by 33 $\frac{1}{3}$  per cent—from 15 cents to 20 cents per share. The indicated annual rate for 1966 is 80 cents per share.
- RCA paid out an all-time record total of \$40,542,000 in cash dividends to holders of preferred and common stock in 1965. This was an increase of more than 100 per cent over the total of \$19,996,000 paid to RCA shareholders in 1962. (Total cash dividends of all U.S. manufacturing corporations in 1965 increased an average of 30 per cent over dividends in 1962.)
- Record capital outlays of \$101 million for plant and equipment were made by RCA in 1965, and this amount may double in 1966 to meet the growing demand for all of your company's products—especially in the areas of color television, computers, and electronic components. This combined two-year total of about \$300 million is the largest capital investment program ever undertaken by RCA. It represents a vote of confidence in the strength of the electronics industry, and it reflects your management's determination to maintain the company's sales and profit momentum in 1966 and the years beyond.

As significant as the rate of RCA's growth were its nature and direction. Color television provided the greatest single stimulus, but vigorous activity also marked other product and service areas of major potential, including broadcasting and electronic data processing.

The emergence of color television as the nation's fastest-growing industry, under the continuing leadership of RCA, was one of the major business news stories of 1965. This was the year in which your company's pioneering efforts in color reaped their greatest reward—but it was still only a beginning.

Today, there are approximately 5 million color television sets in use in the United States. However, black-and-white sets are installed in 95 per cent of all American households, in contrast to color's 10 per cent. The unfulfilled domestic market for color represents a minimum of 50 million receivers, and color will probably require about 10 years to reach the present level of black-and-white. Concurrently, color should begin its growth spiral on a worldwide basis, with your company as an active participant.



RCA has made extensive preparations to maintain its leadership throughout this growth era at home and abroad.

The progress of color should not, however, eclipse the fact that four out of every five dollars of current RCA business derive from other areas of the company's activities.

Your company's planned expansion in consumer products, for example, includes projected sales growth in radios, "Victrola" phonographs, stereo units, magnetic tape recorders, RCA Victor records, and stereo tape cartridge musical recordings for automobiles. These products will figure significantly in the growing market generated by a youthful population that is assuming the numerical majority in this country.

The National Broadcasting Company continued in 1965 to produce nearly one quarter of RCA's total sales. The past year was the fourth in succession for new peaks of NBC sales and profits. As the nation's economy grows, further improvement in this sales and profit pattern is expected, based to an important degree upon NBC's association in the public mind as the "Full Color Network" and upon its leadership in both informational and entertainment programming.

The electronic data processing business operated profitably in 1965 for the second consecutive year. The potential for future profits was enhanced by the booking in 1965 of orders for 92 per cent more computer systems than in the preceding year. By 1970, profits from the data processing business, including computers, communications equipment, electronic displays, licensing, and service, are expected to become a highly significant factor in RCA's total earnings.

Government sales currently account for less than 25 per cent of RCA's total volume, compared with 37 per cent at the beginning of the decade. However, your company continues to serve as one of the country's most important contributors to national defense and to the exploration of space, which represents a major portion of our government business.

RCA leads in the design and development of television systems for space, as typified by the remarkable television pictures transmitted by Ranger 9 from the moon and shown simultaneously on home receivers across the nation.

It brings extensive experience to bear in missile and spacecraft tracking, command, and interrogation. It is a leader in the development of radar systems for these functions.

It is one of the leaders in laser and maser technology for communications, range-finding, and warning systems.

It is preparing for growth in the new area of electronic services for underwater exploration and development of the resources beneath the sea.

Many other operations also play vital roles in support of your company's total product, sales, and profit advancement. In 1965, new record sales and earnings were achieved in electronic components and devices, including peak sales in semiconductor products.

RCA made its large-scale entry into the growing market for integrated circuits and intensified its development of direct energy conversion devices. It was a record year in sales and profitability for RCA's service operations, embracing consumer, industrial, and government electronics.

We anticipate further growth of sales and profits in international communications, with global channels being multiplied through satellites

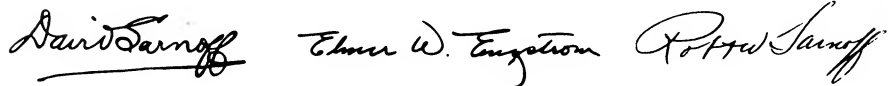


and high-capacity cables. In the last five years, a total of more than \$63 million has been spent for improvement and expansion of RCA's facilities in this field, in order to cope with the rapidly changing technology and the new demands of the space age.

Early in 1966, an important further step was taken to place RCA in an activity of major promise for future growth. An agreement in principle was reached for the acquisition by RCA of Random House, Inc., one of the nation's outstanding book publishers. If the agreement is approved by the Boards of the two companies and the shareholders of Random House, the publishing company will become a wholly-owned subsidiary of RCA. The agreement reflects the conviction of your management and that of Random House that publishing and electronics are natural partners for the expansion that lies ahead for every phase of education in the United States.

Behind all of RCA's advances stand the creative efforts of more than 6,000 scientists and engineers at the RCA research laboratories in Princeton, N.J., and at other engineering, production, and service centers of the company. Together, they are creating concepts for the systems and products that will shape our future.

The concepts of the scientists, in turn, are being translated into reality by 94,000 other men and women of RCA engaged in producing and marketing your company's 11,700 different products and services in scores of countries around the world. These skills and talents support your management's confidence in the future of your company and of the industry in which it stands forth as a world leader.



*Chairman of the Board*

*Chairman of the  
Executive Committee*

*President*

February 27, 1966

*Elmer W. Engstrom (left), Chairman of the Executive Committee, and Robert W. Sarnoff, President of RCA, sit before a lunar backdrop symbolic of the expanding environment in which RCA's products and services are employed.*







*"...a year of unprecedented performance..."*

Electronics, still the nation's most dynamic growth industry, is expanding at a rate of more than \$1 billion annually. It will probably continue to do as well in the second half of this decade and into the 1970s.

This growth cuts across all markets—consumer, commercial and industrial, government, and international. With RCA active in all these areas, 1965 was a year of unprecedented performance for the company. Progress was measured not only in record sales and profits but also in a broadening base of technological achievement that led to innovations in established markets and participation in new ones.

During the year, RCA announced improvements and additions to its product lines across the entire spectrum of the company's interests—from stereo tape cartridge music recordings for use in automobiles to a new member of the advanced RCA Spectra 70 family of computers.

Technological progress flowed from engineering groups in all operating divisions and from the research scientists of RCA Laboratories. New developments ranged from a giant tape machine for recording radar signals—capable of reading seven miles of tape moving at speeds up to 60 miles an hour—to the design of the world's fastest digital integrated circuit. RCA scientists conducted basic and applied research programs that expanded knowledge of useful materials and effects and led to new types of lasers, superconductive devices, computer elements, and advanced techniques for producing solid-state circuits.

The most prominent single feature of the industry's growth in 1965 was the upsurge in public demand for color television. In all of its aspects—home instruments, studio equipment, programming, and advertising—color television rose to an estimated \$2.5 billion in volume during 1965, and its future continues to be most promising.

For the first time, consumers spent more money for color television sets than they did for black-and-white receivers: industry-wide figures for 1965 showed color set sales of \$1.2 billion, as compared with \$1.1 billion for monochrome receivers.

For RCA, the pioneer and leader in color, the effects were evident in many areas, including home instruments and service, color picture tubes, broadcasting, and studio apparatus.

For the company's Home Instruments Division, color receivers produced the highest profit of any product line. The RCA Victor color line included 37 models, ranging from an optionally priced \$349 table model to a combination home entertainment center for \$1,500. RCA's color receiver production facilities operated at full capacity throughout the year, producing and selling substantially more units than any other manufacturer.

Output of color picture tubes at RCA Electronic Components and Devices plants also continued to rise. A 19-inch, 90-degree rectangular tube was put into production as a companion to the 25-inch model already moving off assembly lines. Plans were announced to introduce a 15-inch rectangular type in the first quarter of 1966. The RCA 21-inch round color picture tube, the industry standard for the past decade, remained in production. It is to be phased out during 1966 to make way for the rectangular models, which offer a substantial reduction in cabinet depth.

In spite of maximum production on all of RCA's color receiver and picture tube lines, demand for color sets continued to outstrip supply by a substantial margin. The company therefore moved during the year to

*"For the first time, consumers spent more money for color television sets than they did for black-and-white receivers..."*

expand its manufacturing facilities in both product categories. In June, announcement was made of a \$50-million program designed to more than double RCA's color set capacity by mid-1967 and to double picture tube output by mid-1968.

However, even this planned new capacity was insufficient to cope with mounting public demand, and a further major expansion plan was announced in early 1966. This included new and enlarged set, tube, and component facilities in an \$86-million program, the largest single product expansion project in RCA's history.

A continued rise in color broadcast programming contributed to the industry's growth. The major influence in this aspect of color's expansion was the National Broadcasting Company. In the fall of 1965, NBC became the "Full Color Network" with 28 of its 29 nighttime programs broadcast in color. Virtually all of its regular and special network news programs were in color. More than 75 per cent of its daytime television network schedule also was in color. This added up to more than 4,000 hours of color programming for the 1965-66 season.

Beginning in January, 1966, the NBC Television Network broadcast all but one half-hour a week of its nighttime schedule in color. At the same time, it moved toward the 90 per cent mark in daytime color broadcasting.

The NBC emphasis on color, together with significant increases in color broadcasting by the other major networks and heightened interest among advertisers in color commercials, accelerated the demand among station owners for color broadcast equipment. Virtually all of the 586 commercial television stations in operation at the end of the year have been equipped to broadcast network color programs, but a survey in late 1965 showed that only 57 stations possessed the cameras and other equipment needed for originating live color programs. Only 118 stations have color tape facilities to record programs for rebroadcast. It is expected that these totals will rise in 1966 and the years ahead.

In meeting the unfulfilled demand in this area, RCA's Broadcast and Communications Products Division increased its sales of broadcast apparatus by more than 50 per cent during 1965. It expanded production and test facilities during the year to strengthen its leadership position in the design and manufacture of television cameras, television tape recorders, transmitters, broadcast antennas, and complete station facilities.

In 1965, it delivered nearly 200 four-tube color film cameras for broadcasting color motion pictures and began shipments of the new and advanced RCA TK-42 live color television camera. By the year end, the backlog of orders for RCA television cameras of all types had reached 400, and demand continued to rise at a rate pointing to a further 25 per cent increase in the division's 1966 broadcast equipment sales.

The impact of color spread abroad in 1965. In Canada, RCA's subsidiary company, RCA Victor Company, Ltd., announced plans for a \$25-million color television picture tube plant in Ontario, designed to produce rectangular tubes at an annual rate of more than 300,000 by mid-1967. Canadian broadcasters are scheduled to start color transmission by October 1, 1966.

In Europe, where broadcasting authorities of various nations are considering what type of color system to adopt, an RCA mobile color television studio demonstrated the United States system in key countries, including England, Sweden, France, the Soviet Union, Italy, and West

*"...demand for color sets continued to outstrip supply..."*

*"The impact of color spread abroad in 1965."*



Germany. Regardless of the system that is chosen abroad, RCA expects to benefit in foreign markets because of its broad and lengthy experience in all aspects of practical color systems and service.

The growth of color television was accompanied by healthy expansion of the general consumer electronics market. Total dollar sales of home instruments rose by 40 per cent during 1965 to a new all-time high for RCA, with profits also at an all-time peak.

More RCA black-and-white television sets were sold in 1965 than in any year since 1955, even with the rise in color receiver sales. Total television unit sales for the company, both color and black-and-white, exceeded 2 million for the first time and established a new all-time dollar volume record both for RCA and for any single company in the industry.

Among the 31 black-and-white receiver models marketed by RCA during the year was the domestic industry's first low-priced solid-state television set, a 12-inch portable.

*"The phonograph market flourished..."*

The phonograph market flourished in 1965, with industry sales rising to a new peak of nearly 6 million units. RCA sold a complete line of 34 monaural and stereophonic "Victrola" phonographs with transistorized circuitry, extending through a wide suggested retail price range from under \$20 to over \$700. A full line of stereo modules was marketed in response to the growing demand for components.

The successful introduction of RCA's first full line of transistorized FM/AM table radios contributed to an increase of more than 30 per cent over the 1964 level in both dollar and unit sales of RCA Victor radios. In a major sales program aimed at the expanding audio tape recorder market, already at a \$100-million annual level, RCA in 1965 introduced the most complete line of medium- and low-priced solid-state instruments offered by any major company.

In 1965, the RCA Victor Record Division completed a new, modern tape duplicating center in Indianapolis, and introduced during the year the first of its prerecorded Stereo 8 tape cartridge music selections for use in automobiles—a market that is expected to produce substantial and growing profits. Sales of prerecorded tapes of all types by the division rose threefold in 1965 over sales in the previous year, and an equal or greater gain is anticipated for 1966.

*"The market for RCA Victor... recordings continued to rise..."*

The market for RCA Victor disk recordings continued to rise in 1965, resulting in a doubling of sales of original cast and soundtrack albums, a 16 per cent increase in popular album sales, and a 42 per cent rise in sales of classical recordings over the 1964 totals.

*RCA's Group Executive Vice Presidents are shown against a background of the new RCA Spectra 70 computer, representing a business that reaches into one or another of the divisional activities for which each has responsibility. Left to right, they are W. Walter Watts, in charge of consumer products, distributor and commercial relations, and electronic components and devices; Charles M. Odorizzi, with responsibility for RCA Victor records, the RCA Service Company, international activities, licensing, broadcast and communications products, and RCA Communications, Inc.; and Arthur L. Malcarney, in charge of defense and space activities, electronic data processing, and manufacturing services.*







*"...NBC led the industry in numbers of national advertisers on network television."*

Among the record releases qualifying in 1965 for a Gold Album Award certified by the Recording Industry Association of America—signifying more than \$1 million in factory sales volume—were the RCA Victor original cast recording of "Fiddler on the Roof" and the soundtrack of "The Sound of Music." The latter recording, released in March, passed the 2-million-unit mark in sales before the year end.

In the classical field, RCA Victor signed long-term contracts with a number of outstanding new artists, including the Spanish soprano Montserrat Caballé and pianist Peter Serkin. The division also won 12 "Grammy" awards in 1965 from the National Academy of Recording Arts and Sciences, a considerably greater number of awards than were won by any of its competitors.

In addition to its leadership in color programming, the National Broadcasting Company in 1965 had a range of news, special events, information, and entertainment features that attracted the most national advertisers on any television network and led to the highest sales volume and profit in the company's 39-year history. It was the 17th consecutive year in which NBC led the industry in numbers of national advertisers on network television.

Once again, more people watched news on NBC than on any other network. As a result of its programming achievements, NBC won 171 major awards during the year for programs representing various aspects of news, information, and entertainment. The NBC Radio Network served a total of 202 stations.

The NBC Owned Stations Division increased its profits for the eighth consecutive year, while the NBC Enterprises Division supplied television programming and services to 83 countries, raising its sales by 16 per cent over the 1964 level and achieving a new peak in profits.

To viewers across the nation, the NBC Television Network offered a diversified entertainment schedule, balanced by the largest schedule in broadcasting of preplanned and "instant" news specials, and an NBC Sports lineup of American Football League games, NCAA football, the principal Bowl games, the World Series, and the weekly "NBC Sports in Action" series. In late fall, baseball's "Game of the Week" was acquired by NBC for broadcasting in 1966.

The expansion of the consumer electronics market in 1965 had its counterpart in commercial and industrial markets as American business turned increasingly to new electronic equipment and techniques for management and manufacturing.

*Talent, both program and executive, contributed to the National Broadcasting Company's most successful year. Appearing against a background of some of NBC's top television attractions are the company's principal executives. Seated in foreground are Walter D. Scott (center), President and Chief Executive Officer; Julian Goodman (left), Senior Executive Vice President and Chief Administrative Officer; and David C. Adams, Senior Executive Vice President. At rear (left to right) are divisional Presidents William R. McAndrew, NBC News; George A. Graham, NBC Enterprises; Stephen B. Labunski, NBC Radio Network; Don Durgin, NBC TV Network; and Raymond W. Welpott, NBC Owned Stations.*







*"...pioneered the use of integrated circuitry..."*

Great vigor was again evident in electronic data processing, which has grown in little more than 10 years to more than a \$3-billion annual business and is expected to double again by the end of the decade.

RCA participates in this important growth industry as a manufacturer of computer systems, components, and circuits; a research organization; a developer of programming concepts; and a service organization for the installation and maintenance of systems.

For RCA's Electronic Data Processing organization in 1965, one of the highlights of the year was the substantial flow of orders for the new RCA Spectra 70 series of computers, which was first announced late in 1964 and which pioneered the use of monolithic integrated circuitry in its larger models.

A full-scale Spectra 70 data center has been established at RCA's computer facility at Cherry Hill, N.J., with an initial installation of six systems, and three more scheduled for installation by mid-1966. The Cherry Hill facility was established for program testing and checkout for RCA and its customers. The first customer delivery of Spectra 70 systems was made in the fall with the installation of two computers at the Chase Manhattan Bank in New York. Three additional systems also were on order for future delivery to the bank.

Other customers for Spectra 70 computers include General Tire and Rubber Co., Bankers Life & Casualty Co., Chicago & North Western Railway Co., the General Telephone Companies of Ohio and Florida, Western Electric Co., United Benefit Life Insurance Co., and the state governments of Florida, California, and Maine.

Members of the initial Spectra 70 family are designated the 70/15, 70/25, 70/45, and 70/55. In September, a fifth computer, the Spectra 70/35, was added to this open-ended series. The Spectra 70/35 is a versatile, medium-scale system, employing integrated circuitry and offering communications and multilanguage capabilities for the widest segment of the computer market.

More than 70 Spectra 70 systems were ordered in 1965 by foreign companies. Siemens & Halske A.G., of Germany, one of the 10 largest industrial firms of Western Europe, placed an order for 26 RCA Spectra 70 systems valued at more than \$9 million. Other orders came from English Electric-Leo-Marconi, Ltd., of Great Britain, and Hitachi, Ltd., in Japan. RCA also has license agreements with these companies, and they have announced their own systems utilizing Spectra 70 technology.

Although the Spectra 70 series promised the greatest growth potential, other electronic data processing systems also figured significantly in RCA's

*Paced by color television, RCA's consumer products, including black-and-white TV, radios, phonographs, and tape recorders, made major contributions to the company's record sales and profits. Grouped around RCA's home instruments, beneath a production scene in one of RCA's plants, are the men responsible for their manufacture and marketing. At the right is Delbert L. Mills, Executive Vice President, Consumer Products. Behind him is Raymond W. Saxon, Vice President and General Manager, RCA Victor Home Instruments Division. The other RCA executives are (left to right): John F. O'Brien, President, RCA Victor Distributing Corp.; Paul B. Garver, General Manager, RCA Parts & Accessories; and Bryce S. Durant, President, RCA Sales Corp.*







*"...demand for the Spectra 70...  
led to an expansion..."*

1965 computer activity. There was a 45 per cent increase in orders over those in 1964 for the RCA 3301 Realcom computer, a medium-sized general-purpose system.

The demand for the Spectra 70 series and other RCA computers led to an expansion in production capability, together with a personnel increase of more than 50 per cent at RCA's computer manufacturing facility at Palm Beach Gardens, Fla.

A broad program in the technology and manufacture of basic components supported RCA's computer business. A notable innovation by RCA's Electronic Components and Devices organization in 1965 was a new electronic computer memory capable of storing more than 4,000 bits of information for recall in less than 200 billionths of a second.

Scientists at RCA Laboratories contributed to the advance of computer technology in such areas as memories, logic, and programming. Among the research contributions were improved laminated ferrite structures for computer memories and the invention of a magnetic pen with which hand-written or graphic instructions can be fed directly into a computer.

The rising number of computers continues to tax the industry's service facilities for installation, instruction, and maintenance. This led to heightened activity during the year for the RCA Service Company, which responded to the needs of industrial and government customers employing RCA's computers, and expanded its computer and data processing training programs for students at RCA Institutes, Inc., and for scientists and engineers attending seminars in principal cities.

The year was marked by increased demand for closed-circuit television equipment for education, government, and industry. RCA's Broadcast and Communications Products Division introduced a new line of "Professional Television" equipment for this market in a price range between standard broadcast equipment and industrial television apparatus.

The sale and lease of television receivers, master antenna systems, and associated equipment by the RCA Service Company to commercial customers such as hotel and motel operators grew by 18 per cent in dollar volume during the year.

In anticipation of a growing market for electronic educational aids, RCA introduced a new learning laboratory for foreign language and other instruction, and announced a 16-mm. sound motion picture projector with a self-threading device that removes a major source of film jamming.

For industrial, medical, and scientific research organizations, RCA announced a new addition to its electron microscope line, the EMU-4. The new microscope has the ability to distinguish objects as small as one 30 millionth of an inch in diameter. It is designed for use with an RCA-

*Arnold K. Weber (center), Vice President and General Manager, RCA Electronic Data Processing; and Edwin S. McCollister, Division Vice President and Operations Manager (right), examine circuit elements of an RCA Spectra 70 computer. The background photo shows the assembly of these computers at the RCA Palm Beach Gardens, Fla., plant. On the left is Stanley W. Cochran, Division Vice President and General Manager of RCA's new Graphic Systems Division, formed to develop electronic techniques and equipment for handling printed information.*







*"...a growing government market for electronics..."*

developed television image intensification system that permits specimens under study to be viewed on TV screens and recorded on magnetic tape. The first such television system, including a video tape recorder, was delivered last year to Lenox Hill Hospital in New York City.

During 1965, RCA organized a Graphic Systems Division to apply computer and electronic technology to processes used in the printing industry.

Accompanying the broad advance of the economy in 1965 was a growing government market for electronics, reflecting the mounting tempo of national programs in space and defense. These programs call for increasing sophistication in electronic techniques for computation, sensing, communications, and control. RCA contributed significantly to all of these technologies in 1965, and its total volume of government business for the year was greater than that for 1964, indicating a possible reversal of the recent government sales decline experienced by major defense electronics companies.

Highlighting the company's participation in space programs was the dramatic success of the Ranger 8 and 9 spacecraft, which together obtained and transmitted to earth nearly 13,000 detailed closeup views of the moon before crashing into the lunar surface. The RCA Astro-Electronics Division developed and built the six-camera television systems and related instrumentation aboard the two craft. In addition to the cameras, these systems contained a power supply, equipment to generate signals for the cameras, and two 60-watt FM transmitters. RCA also built ground station support communications equipment, including television tape recording and display which recorded telemetry information on video tape and recorded photographs on 35-mm. film as well as on tape.

The unbroken record of the RCA-built TIROS television weather satellites was maintained during 1965 with the successful orbiting of the ninth and tenth spacecraft in the series. Under a contract with the National Aeronautics and Space Administration, RCA began work on a new series of nine TIROS Operational Satellites (TOS) to be used by the U.S. Weather Bureau to provide uninterrupted global meteorological data on a regular daily basis.

All divisions of RCA Defense Electronic Products are involved in key aspects of the Apollo program to place men on the moon by 1970. The present amount of the company's contracts relating to this project is approximately \$200 million.

During 1965, 13 RCA 110A checkout computer systems were delivered to NASA for the automatic and continuous prelaunch testing of the

*RCA's important role in national defense and space programs is illustrated by these Division Vice Presidents of RCA Defense Electronic Products with models and elements of key RCA government projects, shown against a background photo of the Lunar Excursion Module man-on-the-moon spacecraft for which RCA is developing control and communications equipment. Left to right are Barton Kreuzer, Astro-Electronics Division; Joseph M. Hertzberg, Communications Systems Division; John H. Sidebottom, Missile and Surface Radar Division; and Irving K. Kessler, Aerospace Systems Division. The fifth Division Vice President, not in this photo, is S. Nathan Lev, West Coast Division.*







“...new laser  
light-beam devices...”

immense new Saturn rockets. Eventually, a total of 24 of these systems will be used in the program, culminating with the computerized checkout and launch of the giant Saturn 5 that is to start the three-man Apollo spacecraft on its way to the moon.

RCA is developing and providing ground support equipment, rendezvous radar, attitude control assembly, descent engine control assembly, landing radars, and communications equipment for the Lunar Excursion Module (LEM), the vehicle that will land the astronauts on the moon's surface.

In preparation for the Apollo mission, NASA is to launch in 1966 a spacecraft that will be placed into a low orbit around the moon to photograph projected areas for future astronaut landings. RCA is providing the power supply and communications equipment for the vehicle.

Looking to the future in space, RCA continues to invest in new technology and has received government contracts in such promising areas as new types of telemetry data processing systems using integrated circuitry, advanced electronic tape imaging equipment for spacecraft, and improved sensing devices that will help to detect and measure phenomena in space and on distant planets.

RCA's contributions to national defense in 1965 ranged from major communications switching centers to new laser light-beam devices for possible battlefield use. Among the largest projects was a \$50-million contract from Western Union for expanding the AUTODIN system, an Air Force project that comprises the world's largest and most advanced data communications complex.

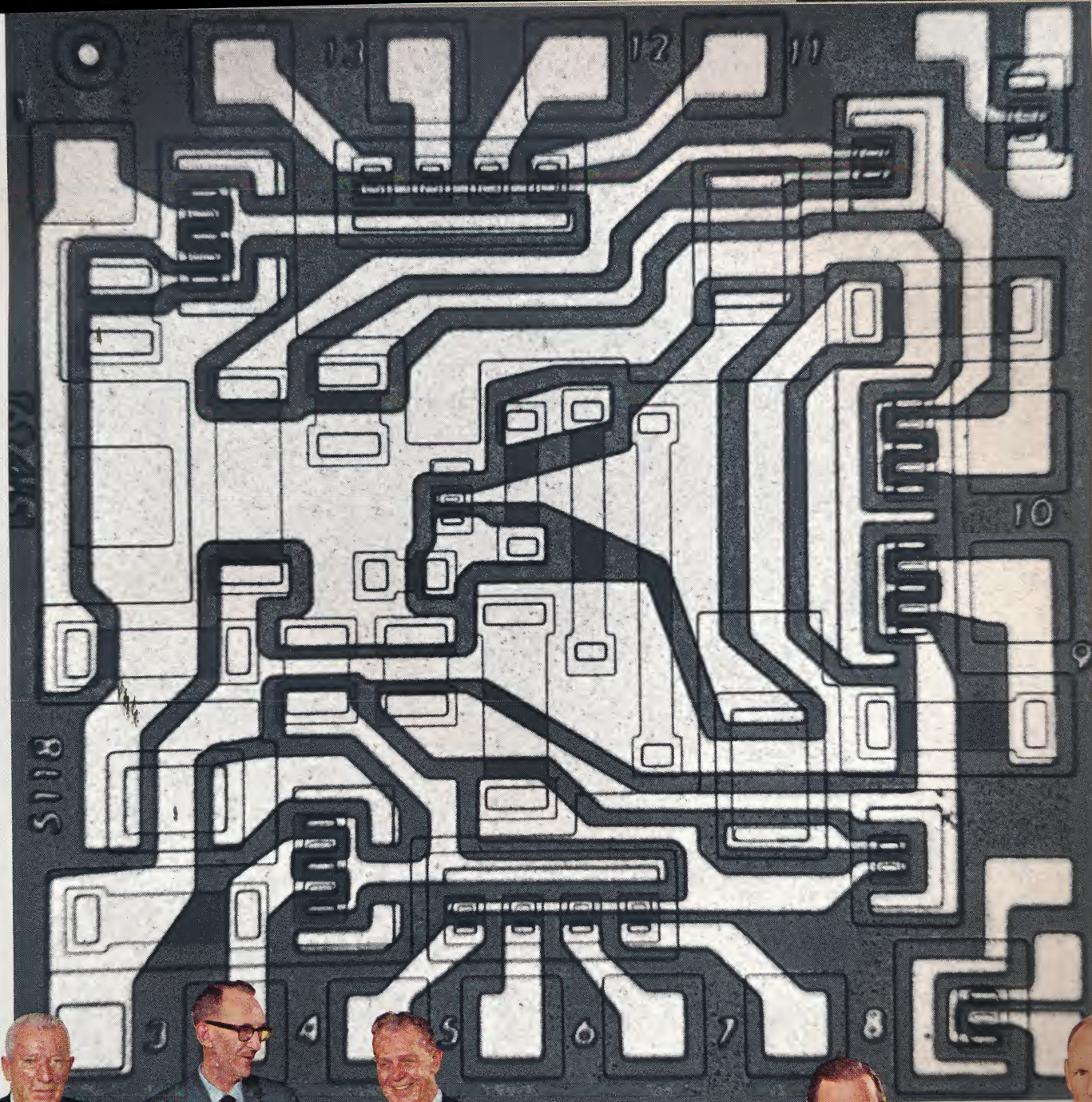
Another group of contracts amounting to about \$25 million was received from The Boeing Company, the prime contractor, for modernization of electronic control and communications equipment for the Minuteman I missile system.

RCA is developing and supplying a variety of laser devices to meet the special needs of the different services. During 1965, a compact “two-in-one” laser was developed for the Air Force, producing the highest power in a continuous beam with the greatest efficiency yet achieved with a solid-state device. RCA also completed and delivered to the Navy in 1965 a high-power laser range-finder for use in missile tracking systems, providing accuracies within two feet at ranges up to 10 miles.

For the Government Services division of the RCA Service Company, 1965 brought the renewal of important contracts for operation and maintenance of electronics in the Ballistic Missile Early Warning System, the

*Executives of RCA Electronic Components and Devices appear with some of their key products in front of a photographic enlargement of an RCA integrated circuit pattern. Seated is John B. Farese, Division Vice President, RCA Electronic Components and Devices. His divisional heads (left to right) are Harry R. Seelen, Television Picture Tube Division; William H. Painter, Commercial Receiving Tube and Semiconductor Division; Harold F. Bersche, Distributor Products; Lloyd R. Day, Special Electronic Components Division; and C. E. Burnett, Industrial Tube and Semiconductor Division. Among the products displayed are a new 25-inch rectangular color picture tube, a ferrite memory unit, an image orthicon color TV camera tube, a thermoelectric power-producing module, electronic test equipment, and assorted electron tubes.*







*"A variety of RCA products  
and services also was supplied  
to other nations  
of the free world..."*

*"...telegraph and telex...  
service on a commercial basis  
via the Early Bird satellite."*

Air Force Eastern Test Range at Cape Kennedy, and the White Alice communications system of the Air Force in Alaska. The company also began operations at NASA's Marshall Space Flight Center at Huntsville, Ala., under a Management Services contract that is expected to involve a business volume of several million dollars annually.

A variety of RCA products and services also was supplied to other nations of the free world during 1965. Work began on a \$7-million contract for airborne digital data link communications equipment for Japanese fighter aircraft. The government of India awarded RCA a \$5-million contract for diverse military electronic equipment. In Spain, RCA undertook maintenance and logistical support for seven aircraft control and warning sites. A telecommunications system was completed to link Paraguay with the United States, Europe, and major cities in South America.

The growth of electronics in 1965 was global as well as national, and RCA prospered in this broader market as a major worldwide communications enterprise.

For the fourth consecutive year, RCA Communications, Inc., the company's international communications subsidiary, led the nation's overseas message carriers both in traffic and in revenue. For the twelfth consecutive year, the company's sales increased, rising by 13 per cent over the previous record set in 1964. Its profits also rose by nearly 20 per cent.

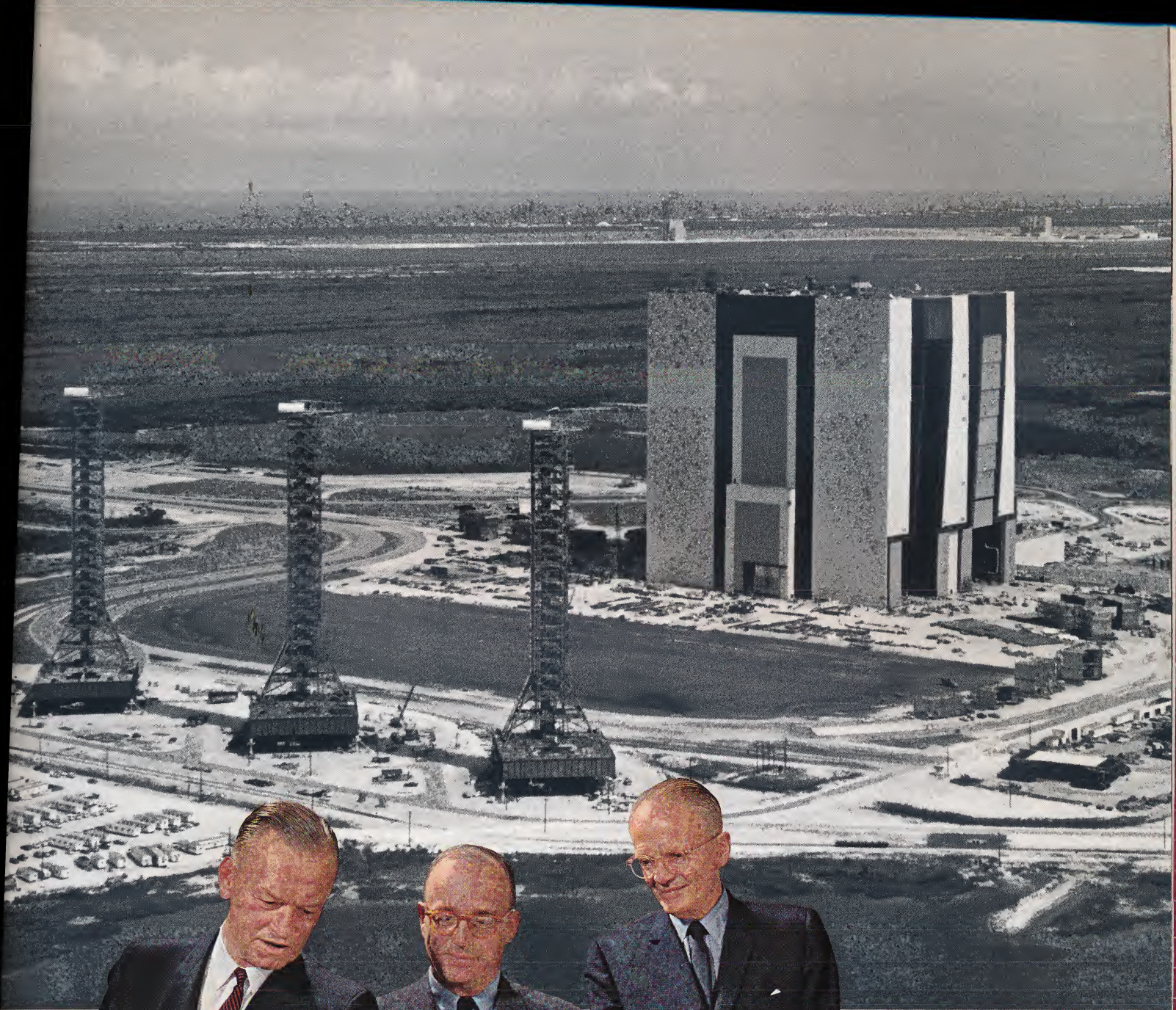
During the year, RCA Communications acquired an interest in the first transatlantic coaxial cable system that links the U.S. directly with the European continent. It obtained facilities and established a capability for satellite communications, both for record (i.e., nonvoice) services and for international television transmission service. It was the first communications company to establish telegraph and telex (teleprinter exchange) service on a commercial basis via the Early Bird satellite. Twelve satellite channels were in operation with West Germany by the year end, and the company plans to add more in the near future.

Through its 1,000 radio, coaxial cable, and satellite channels to virtually every country in the world, RCA Communications in 1965 handled 10.7 million overseas telegrams containing 290 million words, made more than 1.7 million telex connections, and provided more than 250 private channels to individuals, business firms, and government agencies.

It also maintained facilities for photo transmission service with 56 overseas points, telephone service among 14 terminals in the Pacific, marine telegraph service to and from ships at sea, television transmission service

*The scope of RCA's activities—from satellite tracking to global communications to recorded music—is illustrated by these executives grouped against a backdrop of the John F. Kennedy Space Center in Florida, where RCA plays a major role in checkout, tracking, and communications for many of the nation's space projects. Seated from left to right are: Charles R. Denny, Vice President and Managing Director, RCA International Division; Charles H. Colledge, Division Vice President and General Manager, RCA Broadcast and Communications Products Division; Thompson H. Mitchell, President, RCA Communications, Inc. Standing, left to right, are: Melvin E. Karns, Vice President, Licensing; Anthony L. Conrad, President, RCA Service Co.; and George R. Marek, Vice President and General Manager, RCA Victor Record Division.*







between the United States and Europe, and program broadcast facilities for news services in all parts of the world.

The company provided two data transmission services, Datel and Data-telex, for firms requiring international data-speed transmissions. Datel, a new high-speed customer-to-customer service, was operated between the continental United States and Great Britain, and between the mainland and Hawaii. With this new service, data on a punched paper tape, magnetic tape, or punched cards may be transmitted overseas at speeds equivalent to 600 or 1,200 words a minute. RCA plans to extend the service to Austria, Denmark, West Germany, the Netherlands, Puerto Rico, Sweden, and Switzerland.

In addition to its communications services to foreign points, RCA has direct interests abroad through its international subsidiaries, which last year achieved record sales and earnings. RCA subsidiaries were active in the Latin American Free Trade Area, exporting electron tubes in this expanding market. In Canada, RCA's largest foreign subsidiary—RCA Victor Company, Ltd.—achieved the highest sales volume in its history.

Among RCA products sold through outlets in other countries, substantial gains were made during 1965 by records and semiconductor devices. As a leading supplier of television systems and technical assistance, the company provided major installations during the year in Saudi Arabia, Iraq, and Egypt, under programs extending into 1966.

The expanding electronics market in 1965 was reflected in a greater demand for basic components and circuits. As a major supplier of the tubes, solid-state devices, and circuitry used in all forms of electronic equipment, RCA achieved new sales records and broke new ground in the extension of its business to additional product areas.

As it responded to an apparently insatiable industry demand for color television picture tubes, RCA's Electronic Components and Devices activity had its most successful year in history with sales and profits substantially above those in 1964. In addition to sales of color tubes, increases were recorded for RCA industrial tubes, receiving tubes, and semiconductors.

During the year, RCA made its full-scale entry into the new business and technology of integrated circuitry—the design and production of complete circuits incorporated into microscopic wafers of electronically active material. The initial line of RCA integrated circuits included 17 types, and the total will be expanded to 25 by the end of the first quarter of 1966. The units have been designed for use in communications, instrumentation, and industrial and military equipment as well as computers.

The announcement of their availability followed the opening of production lines in a new facility at RCA's Somerville, N.J., semiconductor plant. Supporting the new product line in 1965 were innovations by sci-

*"...innovations by scientists  
of RCA Laboratories..."*

*Basic and applied research are the primary sources of the products and services that constitute RCA's business and provide its profits. Some of the key scientists and engineers who carry on the company's research programs are assembled here at the David Sarnoff Research Center, Princeton, N.J. Standing in the foreground are the men who head these technical activities: Dr. George H. Brown (left), Executive Vice President, RCA Research and Engineering; and Dr. James Hillier, Vice President, RCA Laboratories.*







entists of RCA Laboratories, who explored new materials and fabrication techniques for integrated circuits of advanced design.

The company's record sales of semiconductors in 1965 resulted from the demand for such devices as the new "overlay" transistor, first introduced by RCA in 1964, and a new line of silicon power transistors for use in public address and home sound equipment.

RCA's production and sale of basic electronic devices in 1965 covered a spectrum from small imaging tubes to power-generating devices for spacecraft. Among them were an improved vidicon television camera tube for the Ranger lunar vehicle, a high-efficiency traveling-wave tube for amplifying microwave signals, a new type of tube for transmitting automatic air-traffic-control identification and altitude information, and a small special-purpose camera tube for underwater television equipment used by the Navy to recover missiles and torpedoes from the ocean floor.

In the quest for even more powerful generators of electricity for space vehicles, the government launched in 1965 a test unit in which an RCA-developed thermoelectric system provided more than 500,000 watt-hours of electricity directly from the heat of a nuclear reactor.

From integrated circuits to laser communications, the product engineering activities of RCA through 1965 drew directly upon the resources of RCA Laboratories and its research scientists.

The Laboratories during the year functioned both as a center of technical support for the operating divisions of RCA and as a source of new knowledge and innovation that are designed to affect future technology and to create new products and services for the company's business.

Principal contributions were innovations in certain techniques used in the production of color television picture tubes and in multilayer printed circuit boards; the development of a new technology for making diodes and lasers employing a compound semiconductor material; and development of new magnetic tape materials to help in broadening RCA's business in tape recording for computer, television, and home sound systems.

RCA scientists made notable gains during the year in advancing both the knowledge and the application of potentially useful effects and materials in lasers, superconductor devices, advanced forms of integrated circuitry, and microwave communications.

Among the resulting developments were a new type of high-efficiency laser that may lead to advanced machine tools for industry and improved transmitters for laser communications, and a supersensitive infrared photoconductor that strongly reinforces RCA's position as a leader in the field of light detection.

*The towering RCA Building at Rockefeller Center provides the backdrop for the men who head the company's corporate staff activities. Left to right, they are: Howard L. Letts, Executive Vice President and Controller; Theodore A. Smith, Executive Vice President, Corporate Planning; Kenneth W. Bilby, Executive Vice President, Public Affairs; Robert L. Werner, Executive Vice President and General Attorney; Frank H. Erdman, Division Vice President, New Business Programs; Edward M. Tuft, Vice President, Personnel; Frank Sleeter, Vice President, Manufacturing Services; John Q. Cannon, Secretary; Ernest B. Gorin, Vice President and Treasurer; and Martin F. Bennett, Vice President, Distributor and Commercial Relations.*







*"New developments in  
management techniques  
and practices..."*

In the search for more advanced forms of circuitry, RCA Laboratories moved beyond present integrated circuit technology in research into new concepts employing arrays of thin-film transistors and structures employing silicon on sapphire. This program foreshadows fundamental changes in a broad range of products, such as those associated with computers, communications, and electronic display systems including television.

The company's progress in 1965 resulted from the efforts of many thousands of men and women employed at plants, laboratories, and offices in the United States and abroad. By the year end, the total of RCA employees had risen to 100,000, having increased by approximately 10,000 during 1965 with the growth of the company's total business. The expansion program announced in early 1966 is expected eventually to add 15,000 more people to the Corporation's work force.

Of the total of employees today, more than 6,000 are scientists and engineers concerned with forward-looking research, product development or improvement, and service programs at RCA Laboratories and in the various operating divisions.

The company maintained its established program of assistance to technical staff members working for advanced degrees, and it expanded during the year a new program designed to update the technical knowledge of engineering managers who received their formal education a decade or more ago, prior to many key discoveries and innovations that have brought basic transformation in electronic technology.

New developments in management techniques and practices have led RCA to place increased emphasis on its Executive Management Program designed to keep its managers and middle-level executives abreast of these changes and to prepare them for positions of increased responsibility.

As a firm supporter of the Equal Employment Opportunity Program, the company in 1965 held a series of seminars to inform all of its managers of their responsibilities under the new civil rights law.

Throughout the company, RCA's employees participated widely in the suggestion program and provided ideas that led for the second consecutive year to cost reductions exceeding \$2 million.

In addition to the executive realignment that took effect on January 1, 1966, two major promotions were announced at the top management level of the company in 1965. Howard L. Letts was elected Executive Vice President and Controller of RCA, and Dr. George H. Brown was elected Executive Vice President, Research and Engineering. Dr. Brown subsequently was elected to the Board of Directors of the company.

A realignment also took effect at NBC on January 1, 1966. Walter D. Scott, who had been President of the NBC Television Network, became President and Chief Executive Officer of NBC. Julian Goodman, who had been Executive Vice President, NBC News, became Senior Executive Vice President, Operations, and Chief Administrative Officer of NBC. Don Durgin, formerly Vice President, Sales, NBC Television Network, became an Executive Vice President of NBC and President of the NBC Television Network.



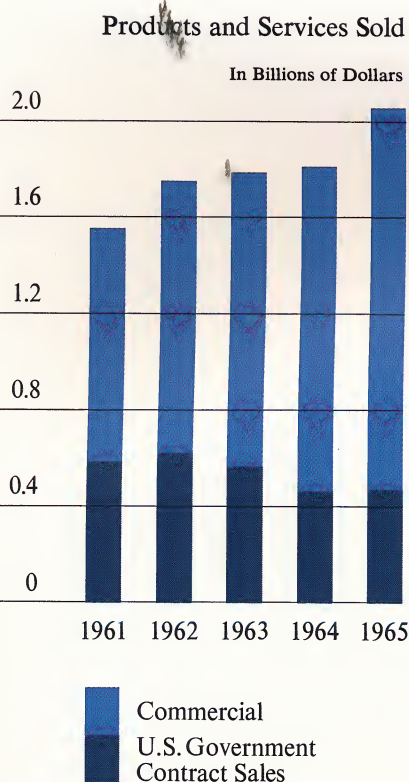
RADIO CORPORATION OF AMERICA

ANNUAL REPORT 1965

FINANCIAL SECTION



## FINANCIAL SUMMARY



RECORD SALES AND NET PROFIT of \$2,057,117,000 and \$101,161,000, respectively, were attained in 1965 by RCA and its consolidated subsidiaries. Sales in 1965 were 13 per cent greater than 1964 sales. Net profit was 23 per cent greater than that of 1964, and equaled \$1.73 a common share, based on the average number of shares outstanding during the year. The significant progress achieved during 1965 in the company's computer-oriented business information system contributed to the improved operating efficiency.

DIVIDENDS of \$.65 a share in cash were declared in 1965 on an increased number of outstanding shares, including shares issued for the 10 per cent stock dividend on February 1, 1965. The quarterly rate of regular cash dividends was increased by 33⅓ per cent with the declaration of the final 1965 quarterly dividend at 20 cents a share rather than the previous quarterly rate of 15 cents a share.

SALES AND OTHER INCOME were realized in 1965 from the following categories of operations:

	AMOUNT 1965	PER CENT 1965	PER CENT 1964
Commercial products and services	\$1,047,401,000	51	49
U.S. Government contracts	465,375,000	23	25
National Broadcasting Company	488,810,000	24	24
RCA Communications, Inc.	51,209,000	2	2
RCA Institutes electronics schools	4,322,000	—	—
Total, including \$113,167,000 from foreign sources	\$2,057,117,000	100	100

In 1965, for the first time since 1957, sales of manufactured products and services to commercial customers accounted for a majority of total sales, with the increase of 21 per cent over 1964 commercial sales closely related to the strong demand for color television. RCA's government business totaled about the same amount in 1965 as in 1964, with an upturn in the second half of 1965 arresting the previous declining trend in government contract sales. Revenues from the broadcasting and related operations of the National Broadcasting Company and from the international communications services of RCA Communications, Inc., kept pace with the rate of increase in total sales.

PROFIT BEFORE FEDERAL TAXES ON INCOME increased to 8.9 per cent of sales in 1965 from 8.4 per cent in 1964 as a result of relatively lower cost of operations. Major components of operating cost were:

	AMOUNT 1965	PER CENT TO SALES 1965	PER CENT TO SALES 1964
Wages and salaries, including vacations and holidays	\$ 742,463,000	36.1	37.0
Retirement plan contribution	14,945,000	.7	.6
Social security, insurance, and other employee benefits	47,785,000	2.3	2.4
Total employment cost	805,193,000	39.1	40.0
Materials and services purchased	954,411,000	46.4	46.0
Depreciation, rent, taxes, and interest	113,552,000	5.6	5.6
Total operating cost, not including federal taxes on income	\$1,873,156,000	91.1	91.6



In addition to the Retirement Plan contribution of \$14,945,000 by the company during 1965, employees paid in \$14,313,000. Assets totaling \$301,000,000 at December 31, 1965, were held by the Retirement Plan and are not included in RCA financial statements. Cost of the employee group insurance program is borne entirely by the company.

Total employment cost also included \$12,600,000 credited to the reserve for incentive compensation payments to employees in key positions and to employees rendering particularly meritorious service during the year. Awards to employees for 1965 aggregated \$11,130,000. The RCA Incentive Plan approved by shareholders in 1954, and again in 1959 and 1964, permits a maximum annual credit to the Incentive Reserve equal to the lesser of the alternatives set forth in the following tabulation:

Net Profit for Year	\$101,161,000
Add back: Provision for incentive awards	12,600,000
Interest on long term debt	10,438,000
Incentive Plan Net Earnings	124,199,000
Less: 5 per cent of Capital Employed (\$780,702,000)	39,035,000
Incentive Plan Base	\$ 85,164,000
Maximum Credit Based on Earnings—15 per cent of Incentive Plan Base	\$ 12,775,000
Maximum Credit Based on Dividends—25 per cent of dividends paid in year (\$209,051,000)	\$ 52,263,000

Payments of \$3,427,000 on 1965 awards are to be made in March, 1966, and the balance will be payable in annual installments through January, 1970, subject to the earning-out provisions of the Plan. About 25 per cent of the 1965 awards was payable in RCA common shares.

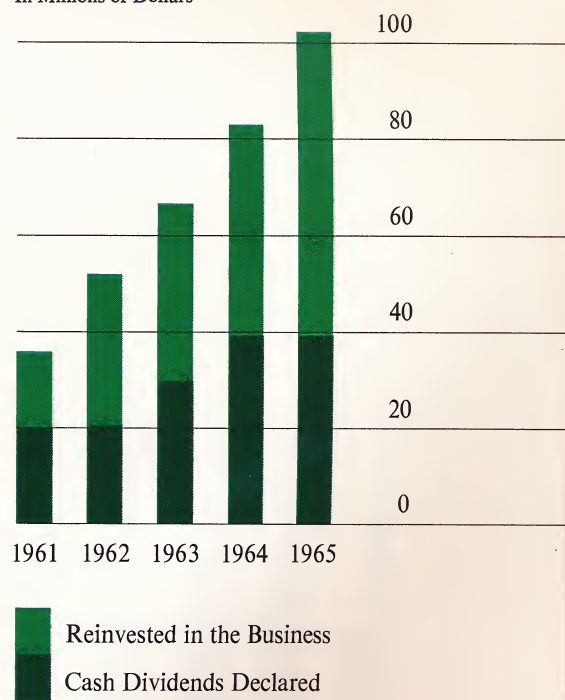
CURRENT ASSETS, which totaled \$908,874,000 at December 31, 1965, increased about \$112,000,000 during 1965, including an increase of \$23,439,000 in receivables attributable to the substantial 1965 sales improvement, and an increase of \$58,295,000 in inventories to support the 1965 sales level and provide for expected further sales growth in 1966. Short term investments increased \$19,827,000 during the year to a December 31, 1965, balance of \$253,602,000.

CURRENT LIABILITIES at December 31, 1965, of \$364,429,000, included \$285,696,000 of amounts due vendors, estimated additional obligations, and warranties of products and services. The reserve for federal income taxes of \$66,746,000 at the end of 1965 was reduced by the accelerated payments of tax on 1965 income, in the legislated gradual transition to a pay-as-you-go basis for corporate income taxes. Deduction of current liabilities from current assets indicated net working capital of \$544,445,000 at December 31, 1965.

INVESTMENTS were stated at \$40,427,000 at the end of 1965, a net reduction of \$423,000 during the year as a result of repayments and reductions of investments, partially offset by additional purchases of RCA common stock held as treasury shares. Investments in unconsolidated foreign subsidiaries at year end were carried at \$17,662,000, as compared with \$38,123,000 total underlying net assets of the subsidiaries. These foreign subsidiaries had earnings of \$4,944,000 in 1965 on combined sales of \$111,418,000, and paid 1965 dividends of \$3,250,000 to RCA. Also included in the investment category was the \$5,000,000 cost of 250,000 shares of the Communications Satellite Corporation purchased in 1964.

Net Profit for Year

In Millions of Dollars





## Total Plant and Equipment at Year End

In Millions of Dollars

750

600

450

300

150

0

1961 1962 1963 1964 1965



Accumulated Depreciation

Net Plant and Equipment

## Plant and Equipment Additions and Depreciation

In Millions of Dollars

100

80

60

40

20

0

1961 1962 1963 1964 1965



Additions to Plant and Equipment for Year

Depreciation of Plant and Equipment for Year

RCA common shares held in treasury at December 31, 1965, were for distribution under incentive plan awards.

PLANT AND EQUIPMENT increased during 1965 to a total first cost of \$633,216,000 at year end, and a net book value of \$320,069,000 after deduction of accumulated depreciation. Acquisitions of plant and equipment during the year amounted to \$101,383,000 and are expected to amount to about \$195,000,000 in 1966. These amounts include additions to color television, semiconductors, data processing, and communications facilities, and significant amounts of manufactured data processing equipment leased to customers. Investment tax credit of \$3,187,000 related to additions to fixed assets during 1965 was applied in 1965 as a reduction of the federal income tax provision. Fixed assets with aggregate first cost of \$41,308,000 and net book value of \$12,592,000 were sold or retired during 1965.

Depreciation of plant and equipment acquired prior to 1954, and standard manufacturing facilities acquired in 1954 and subsequent years, has been computed on a straight line basis over estimated useful lives that are revised as facility requirements change. Depreciation on other more specialized facilities acquired since 1953 has been computed on an accelerated basis which results in depreciation provisions in early years of estimated useful life greater than those computed on a straight line basis, with smaller provisions in subsequent years.

Additional depreciation on the greater portion of machinery and equipment has been deducted from income for tax purposes, but not for book purposes, in accordance with Internal Revenue Service "guidelines" issued in 1962. Provision has been made for deferred federal income tax liability with respect to additional depreciation deductible for federal income tax purposes.

SHAREHOLDERS' EQUITY increased by a net amount of \$69,568,000 during 1965 due principally to the record net income of \$101,161,000. The number of shareholders also increased during the year to 297,000 at year end, advancing RCA to eighth position on the list of most widely held U.S. corporations.

Outstanding shares of the \$3.50 cumulative first preferred stock were further reduced in the year just ended by the purchase and retirement of 6,200 shares as authorized by the Board of Directors. The \$410,000 excess of aggregate purchase price over stated value of the shares was charged against reinvested earnings.

Common shares outstanding were increased during the year by the issuance on February 1, 1965, of 5,257,708 shares in payment of the 10 per cent stock dividend declared December 3, 1964, and by the issuance on various dates of a total of 448,826 shares upon exercise of stock options granted to key employees under the plan described on page 39.

Reinvested earnings was charged with dividends of \$675,000 on preferred stock and \$37,750,000 on common stock declared during 1965. The common stock dividends were equal to 38 per cent of 1965 earnings available for common stock. The balance of 1965 earnings was retained in the business for investment in the expansion programs already announced, in additional data processing equipment leased to customers, and in continuing growth in other RCA products and services.



# CONSOLIDATED EARNINGS AND REINVESTED EARNINGS



	Years Ended December 31	
	1965	1964
<b>SALES AND OTHER INCOME</b>		
Product sales	\$1,284,879,000	\$1,113,260,000
Broadcasting, product services, communications, and other services	757,122,000	683,691,000
Interest on short term investments	9,639,000	10,642,000
Other interest, dividends and income	5,477,000	4,866,000
Total sales and other income	<u>2,057,117,000</u>	<u>1,812,459,000</u>
<b>COST OF OPERATIONS</b>		
Cost of product sales	950,521,000	820,547,000
Cost of broadcasting, product services, communications, and other services	547,750,000	496,281,000
Selling, general, and administrative expenses	261,333,000	241,846,000
Depreciation	62,393,000	51,055,000
Rent	23,061,000	23,220,000
State, local, foreign, and miscellaneous taxes	17,660,000	16,371,000
Interest on long term debt	10,438,000	10,444,000
Total cost of operations	<u>1,873,156,000</u>	<u>1,659,764,000</u>
PROFIT BEFORE FEDERAL TAXES ON INCOME	183,961,000	152,695,000
FEDERAL TAXES ON INCOME, LESS INVESTMENT CREDIT	82,800,000	70,200,000
NET PROFIT FOR YEAR	<u>101,161,000</u>	<u>82,495,000</u>
<b>SPECIAL ITEMS</b>		
Recovery of federal excess profits taxes, net		6,821,000
Gain on sale of 141,747 shares of Whirlpool Corporation stock, net		4,549,000
Total special items		<u>11,370,000</u>
REINVESTED EARNINGS AT BEGINNING OF YEAR	133,930,000	300,533,000
	<u>235,091,000</u>	<u>394,398,000</u>
<b>CASH DIVIDENDS DECLARED</b>		
Preferred stock, \$3.50 per share	675,000	2,536,000
Common stock, 1965, \$.65 per share; 1964, \$.64 per share (after adjustment for stock dividend)	37,750,000	36,758,000
10% STOCK DIVIDEND DECLARED ON COMMON STOCK		
5,257,708 shares at \$32.05 per share		168,510,000
<b>REPURCHASE OF PREFERRED STOCK</b>		
Excess of repurchase price over stated value of \$3.50 cumulative first preferred stock, and related expenses (1965, 6,200 shares; 1964, 704,585 shares)	410,000	52,664,000
	<u>38,835,000</u>	<u>260,468,000</u>
REINVESTED EARNINGS AT END OF YEAR (Note 1)	<u>\$ 196,256,000</u>	<u>\$ 133,930,000</u>



# CONSOLIDATED FINANCIAL POSITION

## ASSETS

	December 31	
	1965	1964
<b>CURRENT ASSETS</b>		
Cash	\$ 71,410,000	\$ 64,656,000
Short term investments, at cost (approximate market)	253,602,000	233,775,000
Receivables—U.S. Government	43,496,000	58,082,000
—Other (less reserve: 1965, \$12,200,000; 1964, \$9,762,000)	242,495,000	204,470,000
Inventories, at lower of cost or market		
Plant inventories and government contracts (less progress payments: 1965, \$43,824,000; 1964, \$23,339,000)	161,342,000	113,474,000
Finished goods	98,281,000	87,854,000
Other current assets	38,248,000	34,890,000
<b>TOTAL CURRENT ASSETS</b>	<b>908,874,000</b>	<b>797,201,000</b>

## INVESTMENTS

Investments, at or below cost	35,082,000	36,934,000
RCA common stock held in treasury, at cost (Note 2) 1965, 159,017 shares; 1964, 138,524 shares	5,345,000	3,916,000
<b>TOTAL INVESTMENTS</b>	<b>40,427,000</b>	<b>40,850,000</b>

## PLANT AND EQUIPMENT

Land and buildings	195,501,000	178,950,000
Machinery and equipment, including equipment leased to customers	437,715,000	394,191,000
Total, at cost	633,216,000	573,141,000
Less: Accumulated depreciation	313,147,000	279,470,000
<b>NET PLANT AND EQUIPMENT</b>	<b>320,069,000</b>	<b>293,671,000</b>
<b>TOTAL ASSETS</b>	<b>\$1,269,370,000</b>	<b>\$1,131,722,000</b>





## LIABILITIES AND SHAREHOLDERS' EQUITY

December 31

1965

1964

### CURRENT LIABILITIES

Accounts payable and accruals	\$ 285,696,000	\$ 234,675,000
Federal taxes on income	66,746,000	58,969,000
Dividends payable	11,987,000	14,104,000
<b>TOTAL CURRENT LIABILITIES</b>	<b>364,429,000</b>	<b>307,748,000</b>

### OTHER LIABILITIES

Long term debt (Note 1)	254,818,000	254,971,000
Incentive plan (Note 2)	20,133,000	13,601,000
Deferred federal taxes on income, related to depreciation	36,974,000	31,954,000
<b>TOTAL OTHER LIABILITIES</b>	<b>311,925,000</b>	<b>300,526,000</b>

### SHAREHOLDERS' EQUITY

Capital stock, no par, at stated value		
\$3.50 cumulative first preferred stock		
Authorized—920,300 shares		
Outstanding—1965, 190,039 shares; 1964, 196,239 shares		
Preference on liquidation (\$100 per share) 1965,		
\$19,003,900; 1964, \$19,623,900	3,075,000	3,175,000
Common stock (Notes 3 and 5)		
Authorized—80,000,000 shares		
Issued—1965, 58,486,016 shares; 1964, 58,037,190 shares		
including 10% stock dividend paid February 1, 1965	38,991,000	38,692,000
Capital surplus (Note 4)	354,694,000	347,651,000
Reinvested earnings (Note 1)	196,256,000	133,930,000
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>593,016,000</b>	<b>523,448,000</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$1,269,370,000</b>	<b>\$1,131,722,000</b>



# CONSOLIDATED STATEMENT OF FUNDS

	<u>Year Ended December 31, 1965</u>
<b>CASH FUNDS PROVIDED BY</b>	
Operations	
Net profit for year	\$101,161,000
Provisions not requiring current cash funds	
Depreciation	62,393,000
Deferred taxes related to depreciation	<u>5,020,000</u>
Total cash flow from operations	\$168,574,000
Sale of common shares under options	7,280,000
Increase in deferred liabilities plus decrease in investments	<u>6,354,000</u>
<b>TOTAL CASH FUNDS PROVIDED</b>	<u>182,208,000</u>

<b>CASH FUNDS USED FOR</b>	
Dividends declared on preferred and common stock	38,425,000
Plant and equipment, less \$12,592,000 net book value of disposals	88,791,000
Increase of \$81,734,000 in receivables and inventories, less other changes in net current assets	<u>28,411,000</u>
<b>TOTAL CASH FUNDS USED</b>	<u>155,627,000</u>

<b>INCREASE IN CASH FUNDS</b>	
Cash and short term investments	
December 31, 1965	325,012,000
December 31, 1964	<u>298,431,000</u>

<b>NET INCREASE IN CASH FUNDS</b>	<u><u>\$ 26,581,000</u></u>
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## NOTES TO FINANCIAL STATEMENTS



### 1. LONG TERM DEBT AND REINVESTED EARNINGS: Long term debt outstanding at December 31, 1965 included:

#### Promissory notes

3%, due 1970 to 1974	\$100,000,000
3¾%, due 1973 to 1977	50,000,000
5¾%, due 1977 to 1986	100,000,000
Purchase money mortgages payable in installments to 1986	4,818,000
Total	<u>\$254,818,000</u>

The terms of the promissory notes include limitations on the payment of cash dividends and the purchase of the Corporation's capital stock. At December 31, 1965, consolidated reinvested earnings of \$175,334,000 were free of such limitations.

2. INCENTIVE PLAN: At December 31, 1965, the unawarded balance of the Incentive Reserve was \$3,404,000 and awards payable in RCA common stock combined with awards payable in cash after January 2, 1967 totaled \$16,729,000. Payment of any deferred installment is contingent under the earning-out provisions of the Plan. The maximum 1965 credit to the reserve under the Incentive Plan, which was most recently approved by the shareholders in 1964, was \$12,775,000; the Incentive Committee directed that \$12,600,000 be credited to the reserve. From this credit and from the unawarded balance of \$1,934,000 at December 31, 1964, awards of \$11,130,000 for 1965 were directed by the Incentive Committee.

3. STOCK OPTIONS: At December 31, 1965, options were outstanding to key employees for the purchase of 511,546 shares of common stock at prices ranging from \$8.11 to \$47.38 a share, equal to market prices at the date the options were granted, and averaging \$23.68 a share; options on 321,114 shares were exercisable at that date and 248,013 shares were available for future grants. During 1965: the shareholders authorized an increase of 300,000 shares in the number of shares available for options; options on 106,000 shares were granted; options on 21,987 shares were canceled; and options on 448,826 shares were exercised at prices ranging from \$12.35 to \$32.16, and averaging \$16.22 a share. At December 31, 1964, options were outstanding on 876,359 shares and 32,026 shares were available for future grants.



Under the stock option plan approved by shareholders in 1957 and amendments thereto approved by shareholders in 1960 and 1965, options may be granted to key employees selected by a committee of the Board of Directors for the purchase, within a maximum period of 5 years (10 years prior to 1964), at a price not less than fair market value at the date of grant, of shares of common stock from the Corporation's treasury or from authorized but unissued shares. Options that have been granted are exercisable in cumulative annual installments of 20 per cent, beginning with 20 per cent at date of grant.

4. **CAPITAL SURPLUS:** In 1965, capital surplus was increased as a result of the following transactions in RCA common stock: issuance of 448,826 shares under stock options for \$6,981,000 more than stated value; distribution of 42,307 treasury shares under the RCA Incentive Plan at award values \$62,000 more than cost.

5. **ACQUISITION OF RANDOM HOUSE, INC.:** On January 10, 1966, an agreement in principle was reached for the acquisition of Random House, Inc., by RCA in exchange for about 800,000 shares of RCA common stock, subject to approval by the RCA Board of Directors and by the Board of Directors and shareholders of Random House, Inc.

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<b>TRANSFER AGENTS</b>	The Corporation Trust Company, 277 Park Ave., New York, N. Y. 10017 The First National Bank of Chicago, Dearborn, Monroe and Clark Streets, Chicago, Ill. 60690
<b>REGISTRARS, PREFERRED STOCK</b>	The Chase Manhattan Bank, 80 Pine Street, New York, N. Y. 10015 Continental Illinois National Bank and Trust Company of Chicago, 231 South La Salle Street, Chicago, Ill. 60690
<b>REGISTRARS, COMMON STOCK</b>	Chemical Bank New York Trust Company, 20 Pine Street, New York, N. Y. 10015 Continental Illinois National Bank and Trust Company of Chicago, 231 South La Salle Street, Chicago, Ill. 60690
<b>GENERAL COUNSEL</b>	Cahill, Gordon, Reindel & Ohl, 80 Pine Street, New York, N. Y. 10005
<b>ANNUAL MEETING</b>	May 3, 1966, at 10:30 A.M., Eastern Daylight Time, at Carnegie Hall, 154 West 57 Street, New York, N. Y.

INDEPENDENT PUBLIC ACCOUNTANTS' CERTIFICATE



To the Shareholders of  
Radio Corporation of America

We have examined the accompanying statement of financial position of RADIO CORPORATION OF AMERICA AND CONSOLIDATED SUBSIDIARIES at December 31, 1965 and the related statements of earnings and reinvested earnings, and funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. It was not practicable to confirm amounts due from the United States Government, as to which we satisfied ourselves by means of other auditing procedures.

In our opinion, the statements mentioned above present fairly the financial position of Radio Corporation of America and Consolidated Subsidiaries at December 31, 1965, the results of their operations and the source and use of their funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

*Arthur Young & Company*

New York, N. Y.  
February 14, 1966



# TEN-YEAR FINANCIAL REVIEW

*Per share amounts in dollars after giving retroactive effect to the three-for-one stock split of January 31, 1964, and the 10 per cent stock dividend paid February 1, 1965, computed on average number of common shares outstanding during the respective years.*

*Other dollar amounts in thousands.*

	1965	1964	
<b>SALES AND EARNINGS</b>			
Products and services sold	<b>\$2,057,117</b>	\$1,812,459	\$1,788,000
Profit before federal taxes on income	<b>183,961</b>	152,695	135,000
Per cent to sales	<b>8.9</b>	8.4	
Profit after federal taxes on income	<b>101,161</b>	82,495	60,000
Per cent to sales	<b>4.9</b>	4.6	
Per common share	<b>1.73</b>	1.37	
Special items—net of taxes and expenses	—	11,370	
Per common share	—	.20	
<b>DIVIDENDS DECLARED</b>			
\$3.50 preferred stock—cash	<b>675</b>	2,536	3,000
Common stock—cash	<b>37,750</b>	36,758	20,000
Per share—regular	<b>.65</b>	.55	
Per share—special	—	.09	
Total cash dividends	<b>38,425</b>	39,294	20,000
Stock dividends on common stock	—	10%	
<b>FINANCIAL POSITION</b>			
Current assets	<b>908,874</b>	797,201	810,000
Current liabilities	<b>364,429</b>	307,748	300,000
Net working capital	<b>544,445</b>	489,453	510,000
Current ratio	<b>2.5</b>	2.6	
Additions to plant and equipment for year	<b>101,383</b>	84,928	60,000
Depreciation of plant and equipment for year	<b>62,393</b>	51,055	40,000
Net plant and equipment	<b>320,069</b>	293,671	260,000
Total assets	<b>1,269,370</b>	1,131,722	1,120,000
Shareholders' equity	<b>593,016</b>	523,448	530,000
<b>TAXES</b>			
Federal income taxes	<b>82,800</b>	71,014	60,000
Social security taxes	<b>23,511</b>	21,277	20,000
State, local, and foreign taxes	<b>17,660</b>	16,371	10,000
Total	<b>123,971</b>	108,662	100,000



1962	1961	1960	1959	1958	1957	1956
\$1,751,646	\$1,545,912	\$1,494,896	\$1,395,620	\$1,176,094	\$1,176,277	\$1,127,774
107,935	64,911	66,917	78,542	60,442	77,049	80,074
6.2	4.2	4.5	5.6	5.1	6.5	7.1
51,535	35,511	35,117	40,142	30,942	38,549	40,031
2.9	2.3	2.3	2.9	2.6	3.2	3.5
.86	.59	.64	.80	.61	.77	.80
6,960	—	—	—	—	—	—
.13	—	—	—	—	—	—
3,153	3,153	3,153	3,153	3,153	3,153	3,153
16,945	16,546	15,331	13,892	20,733	20,756	20,812
.30	.30	.30	.30	.30	.30	.30
—	—	—	—	.15	.15	.15
20,098	19,699	18,484	17,045	23,886	23,909	23,965
2%	2%	2%	2%	—	—	—
743,856	619,440	513,070	542,027	482,764	471,788	453,485
288,173	245,624	217,865	225,925	174,781	166,205	150,301
455,683	373,816	295,205	316,102	307,983	305,583	303,184
2.6	2.5	2.4	2.4	2.8	2.8	3.0
55,892	56,283	59,167	43,238	24,817	35,593	57,517
40,977	34,072	27,114	23,424	21,825	23,524	22,609
264,390	257,332	239,539	210,261	198,579	199,581	189,972
1,058,898	943,702	815,503	811,208	736,256	720,773	690,557
489,419	449,199	432,914	322,953	295,439	288,382	273,753
58,720	29,400	31,800	38,400	29,500	38,500	40,043
22,822	19,184	18,184	14,342	10,537	10,280	9,634
13,362	11,154	9,343	8,269	7,282	6,473	5,956
94,904	59,738	59,327	61,011	47,319	55,253	55,633





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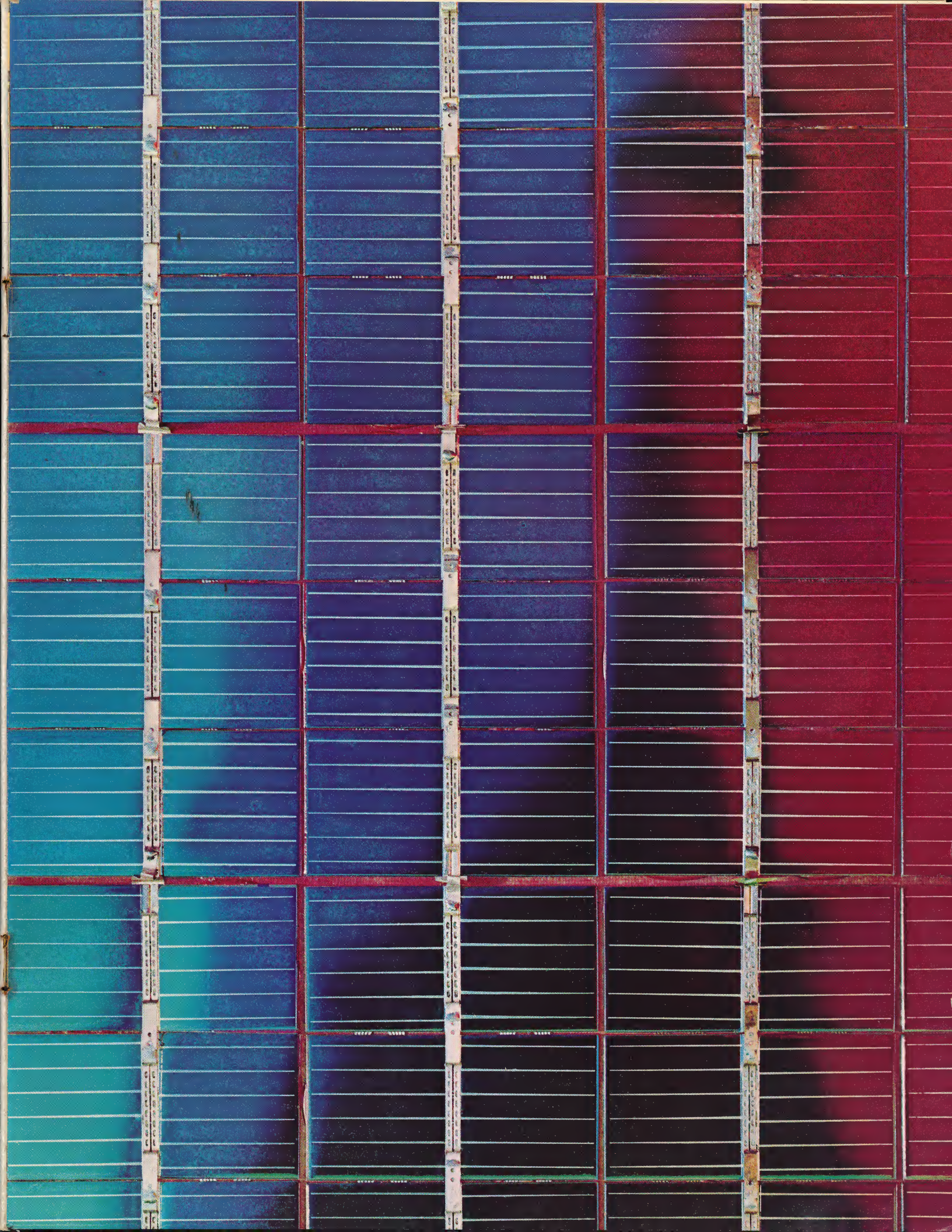
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*Arrays of silicon solar cells such as these have been produced by RCA to convert sunlight directly to electricity aboard spacecraft in orbit. One square foot of the cells can generate about seven watts of power to operate devices such as television cameras aboard the RCA-built TIROS weather satellites.*









RADIO CORPORATION OF AMERICA 30 ROCKEFELLER PLAZA, NEW YORK, N.Y. 10020